



STEVEN L. BESHEAR  
GOVERNOR

**EXECUTIVE ORDER**

Secretary of State  
Frankfort  
Kentucky

2008 - 460

May 29, 2008

**RELATING TO THE ESTABLISHMENT OF THE  
KENTUCKY PUBLIC PENSION WORKING GROUP**

**WHEREAS**, government administered retirement systems across the country are facing serious financial deficiencies and large unfunded liabilities in public employee pension plans; and

**WHEREAS**, this fiscal crisis has also critically affected state administered retirement systems in Kentucky and created serious funding shortages; and

**WHEREAS**, this administration is dedicated to reaffirming a strong commitment to public employees, teachers and retirees in Kentucky; modernizing existing state administered retirement systems for future employees; and providing for financially healthy and sustainable public pension plans in Kentucky; and

**WHEREAS**, a Blue Ribbon Commission on Public Employees Retirement Systems, composed of community leaders, legislators, public employees and experts in the area of pension reform came together in 2007, heard testimony, researched and issued recommendations to the previous administration relative to the state administered retirement systems; and

**WHEREAS**, since the issuance of the report by the Blue Ribbon Commission, a number of other issues worthy of consideration have been raised; and

**WHEREAS**, immediate action is required in order to effectively contain and manage this growing problem

**NOW, THEREFORE**, I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Kentucky Constitution and in particular Sections 69 and 81, and Kentucky Revised Statutes Chapter 12.029, and as further invested in me by the laws of the Commonwealth, do hereby FIND, DECLARE, ORDER and DIRECT the following:

1. There is hereby established the Kentucky Public Pension Working Group, (the "Working Group") which shall be composed of the following members:

- a. The secretary of the Finance and Administration Cabinet; who shall serve as chair;
- b. The state budget director, who shall serve as vice-chair;
- c. The Attorney General, or designee;
- d. The Secretary of State, or designee;
- e. The Auditor of Public Accounts, or designee;
- f. The State Treasurer, or designee;
- g. The Commissioner of Agriculture, or designee;
- h. The secretary of the Personnel Cabinet;
- i. The Senior Policy Advisor to the Governor



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- j. Two (2) individuals designated by the President of the Senate;
  - k. Two (2) individuals designated by the Speaker of the House;
  - l. The executive director of the Kentucky Retirement Systems;
  - m. The executive secretary of the Kentucky Teachers' Retirement System;
  - n. Brent McKim, Jefferson County Teachers' Association
  - o. John Stovall, Teamsters;
  - p. Gerald Stewart, Firefighters;
  - q. Tommy Turner, Larue County Judge, former President of the Kentucky Association of Counties and the Kentucky County Judges Association;
  - r. Sylvia Lovely, CEO, Kentucky League of Cities;
  - s. David Adkisson, CEO, Kentucky Chamber of Commerce;
  - t. Robert Sexton, President, Prichard Commission;
  - u. Keith Powell, certified actuary;
  - v. Todd Lowe, CFA, President, Parthenon LLC;
  - w. Dianne Preece, CFA, Professor of Finance, University of Louisville;
  - x. Jacqueline Clay, CFA, JP Morgan; and
  - y. Chris Posey, Managing Partner, Urban Development.
2. The secretary of the Finance and Administration Cabinet shall serve as chair of the Working Group. The state budget director shall serve as vice chair of the Working Group and shall serve as chair in the absence of the secretary of the Finance and Administration Cabinet.
3. The Chair shall have full authority to establish any subcommittees, including the membership, purpose and composition thereof, as deemed necessary to successfully carry out the mission of this Working Group.
4. Professional, clerical, and other administrative staffing needs shall be provided by the Finance and Administration Cabinet and the Office of the State Budget Director.
5. The Working Group shall be charged with:
- a. Conducting a comprehensive operational and governance review of fiduciary duties and the investments of the state-administered retirement systems;
  - b. Examining and recommending appropriate investment benchmarks, policies, and portfolio strategies, based on investment returns and asset allocations of comparable public pension plans and systems;
  - c. Reviewing the securities litigation policies and programs of the state-administered retirement systems, including the amount of losses recovered by the state-administered retirement systems under their current securities litigation policies and programs, reviewing the possibility of authorizing the Attorney General to act on behalf of the state-administered retirement systems regarding securities litigation, and providing recommendations to the Governor to ensure the state-administered retirement systems are recovering an appropriate level of losses due to securities fraud;



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- d. Studying the creation of a new retirement system, to be known as the Local Government Employees Retirement System. Membership in the Local Government Employees Retirement System would consist of employees, employers, and retirees of agencies participating in the County Employees Retirement System who are not school boards as defined by KRS 78.510(4);
- e. Studying the potential transfer of classified school board employees and retirees currently participating in the County Employees Retirement System to the Kentucky Teachers' Retirement System, while ensuring that in the event that such transfer occurs, the classified school board employees who become members of the County Employees Retirement System on or after July 1, 2008, shall be provided with the same benefits provided to classified school board employees who become members of the Kentucky Teachers' Retirement System on or after the effective date of transfer to the Kentucky Teachers' Retirement System;
- f. Examining the potential benefits, issues, and financial impacts on employees, retirees, retirement systems, and General Fund requirements that would result from the actions described by subsections (d) and (e) above, and, should such actions take place, studying a full and final disposition of the assets of the County Employees Retirement System in a manner that ensures that classified school employees are guaranteed their full retirement benefits;
- g. Reviewing the experiences of other state public pension systems that have employed defined contribution or annuity-type plans for their employees, and analyzing the effectiveness of their employment in Kentucky; and
- h. Providing recommendations to the Governor for a long-term funding strategy for pension and health care benefits, with the goal of ensuring adequate funding of the actuarially required contributions to the state-administered retirement systems by 2020, and phasing into the actuarially required contribution rates for the Kentucky Employees Retirement System and the State Police Retirement System as follows:
  - i. For the employer contribution rate for the Kentucky Employees Retirement System pertaining to nonhazardous employees, to work towards the goal of contributing eighty-five percent (85%) of the actuarially required contribution for fiscal year beginning July 1, 2020.
  - ii. For the employer contribution rate for the Kentucky Employees Retirement System pertaining to hazardous employees, to work towards the goal of contributing ninety-five percent (95%) of the actuarially required contribution for fiscal year beginning July 1, 2016.
  - iii. For the employer contribution rate for the State Police Retirement System, to work towards the goal of contributing ninety-five percent (95%) of the actuarially required contribution for fiscal year beginning July 1, 2017.



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6. A member of the Working Group shall not have any undisclosed direct or indirect interest in the findings or recommendations of the Working Group that puts the member's personal interest in conflict with that of the duties of the Working Group. If the member believes that their disclosed interest does not permit an unbiased review of the issues and evidence, then said member shall be expected to recuse himself or herself from deliberation and resolution of the issue in question.

7. In order to carry out this section, the Working Group may contract for services, including but not limited to, those of a nationally recognized independent investment advisor with extensive experience advising public pension plans that is capable of reviewing investment benchmarks, investment portfolio strategies, investment returns, and asset allocations of the state-administered retirement systems, and an actuarial advisor.

8. The Working Group may request any and all investment or investment-related information or data and any actuarial analysis or projections from each state-administered retirement system.


9. For purposes of this Executive Order, "state-administered retirement system" includes:


- a) The Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System administered by the Kentucky Retirement Systems and established under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852; and
- b) The Kentucky Teachers' Retirement System established under KRS 161.220 to 161.716.

10. Non-state employee members of the Working Group shall be reimbursed for actual and necessary expenses incurred in performing the duties of the Working Group.

11. The Working Group shall complete its work and submit a report to the Governor on or before November 1, 2008.

12. The Finance and Administration Cabinet, in conjunction with the Office of the State Budget Director, and other state agencies, shall take all necessary action to effectuate this Order.

  
STEVEN L. BESHEAR, Governor  
Commonwealth of Kentucky

  
TREY GRAYSON  
Secretary of State

RECEIVED AND FILED

DATE 5/29/08

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TREY GRAYSON

SECRETARY OF STATE

COMMONWEALTH OF KENTUCKY

BY R. Adles

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